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SUBJECT: COMMUNICATIONS MINISTER LUKEWARM ON PRIVATIZATION;
MOBILE SERVICE CONTRACTS EXTENDED

1. (SBU) SUMMARY. Communications Minister Muhammad Allawi informed us that the current contracts for Iraq's mobile telephone service providers have been extended through the end of September, delaying the opening of the market to outside competitors. He said he supports privatization conceptually but stressed there are potential pitfalls, and outlined a range of other challenges facing his Ministry, especially corruption. END SUMMARY.

2. (SBU) Minister for Communications (MOC) Muhammad Tawfiq Allawi, only one month into his job, met June 28 with senior IRMO consultants and Econoff to discuss his Ministry's priorities and his vision for Iraq's telecommunications industry. He noted that the licenses for the three mobile service providers in Iraq have been extended through the end of September. (COMMENT: This will push back the timetable for bringing in outside (including foreign) investors to create more competitive market conditions. END COMMENT)

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CMC Relationship Needs Clarification
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3. (SBU) The Minister has yet to meet with the director of the independent Communications and Media Commission (CMC, formerly called the National Communications and Media Commission), which regulates radio frequencies, underscoring the problematic relationship between the agencies. Allawi looks to the draft telecommunications law to clarify the Ministry's role, and resolve on-going territory disputes over mobile telephone regulations with the CMC, as well as over IT services with the Ministry of Science and Technology.

Allawi added that the Ministry receives a large number of complaints about current mobile providers abusing their monopoly positions, particularly in pricing.

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Hesitation on Privatization; Other Challenges
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4. (SBU) Allawi noted that he supports the concept of privatization, but stopped short of laying out specifically what might be privatized and at what pace. He cautioned that, in the Iraqi context, poorly executed privatization could lead to the development of privately-held monopolies in place of the current public ones, which would not serve consumer interest. He said he was more inclined to support some kind of partial privatization of elements of the Ministry's business operations, with some operations privatized, but others remaining under Ministry ownership. Allawi did not specify which companies would be prioritized for privatization. The Ministry of Communications currently owns the Iraqi Telephone and Postal Commission (ITPC), which operates the country's landline telephone system and switching services, as well as the postal system. Allawi's reference to partial privatization would likely include splitting the telephone and postal functions. The Ministry

also owns the State Corporation for Internet Services (SCIS), Iraq's primary internet service provider.

15. (SBU) The Minister highlighted the many other challenges the Ministry faces, including modernizing the postal system, training for MOC engineers, and rebuilding facilities damaged by Coalition forces. IRMO has numerous active projects to facilitate these goals. Working with IRMO's engineering resources, he hopes to explore the possibility of using a wireless local loop (WLL) to provide cheaper telecom services. Allawi lamented that corruption continues to drain Ministry resources and compromise its ability to provide effective services. He raised the example of local telephone technicians who refuse to provide repair services without receiving bribes, but declined to comment on higher-level official corruption.

SATTERFIELD